



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE March 22, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Prairie Solid Waste Agency.

The Agency had total receipts of \$544,646 and \$607,111 during the years ended June 30, 2003 and 2002, respectively. For the year ended June 30, 2003, receipts included solid waste fees of \$494,143 and city assessments of \$18,856. For the year ended June 30, 2002, receipts included solid waste fees of \$507,487 and grants of \$80,405.

Disbursements totaled \$521,775 and \$687,594 for the years ended June 30, 2003 and 2002, respectively. For the year ended June 30, 2003, disbursements included \$286,574 for solid waste contractor payments, \$33,614 for land acquisition, and \$27,587 for solid waste fees remitted to the Iowa Department of Natural Resources. For the year ended June 30, 2002, disbursements included \$239,666 for solid waste contractor payments, \$185,939 for buildings and grounds and \$35,908 for solid waste fees remitted to the Iowa Department of Natural Resources. The significant decrease in disbursements from 2002 to 2003 was due primarily to the completion of construction of a regional collection center building during the year ended June 30, 2002.

A copy of the audit report is available for review in the Office of Auditor of State and the Union County Auditor's office.

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**PRAIRIE SOLID WASTE AGENCY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003 and 2002**

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## **Prairie Solid Waste Agency**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Don Irelan	Chairperson	Union County
Gene Dunfee	Vice Chairperson	City of Arispe
Dave Cunningham	Member	City of Afton
Mike Tamerius	Member	City of Creston
Deloris Doench	Member	City of Cromwell
Melvin Davis	Member	City of Lorimor
Eivens Marlin	Member	City of Macksburg
Wes Gilbert	Member	City of Shannon City
Tom Britt	Member	City of Thayer
Leslie Bullock Goldsmith	Director	

**Prairie Solid Waste Agency**



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Independent Auditor's Report

To the Members of the Prairie Solid Waste Agency:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Prairie Solid Waste Agency as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.


As described in note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the cash transactions of the funds of the Prairie Solid Waste Agency as of and for the years ended June 30, 2003 and June 30, 2002, on the basis of accounting described in note 1.

As discussed in note 9, the Prairie Solid Waste Agency intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Agency's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Agency's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2004 on our consideration of the Prairie Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 8, 2004

**Prairie Solid Waste Agency**

## **Financial Statements**

**Exhibit A**

## Prairie Solid Waste Agency

## General Fund

## Statement of Cash Transactions

Years ended June 30, 2003 and 2002

	2003	2002
Receipts:		
Solid waste fees	\$ 494,143	507,487
City assessments	18,856	-
Waste tire disposal and recycling grants	5,811	80,405
Recycling sales	15,075	-
Miscellaneous	1,563	2,191
Total receipts	535,448	590,083
Disbursements:		
Salaries and benefits	40,670	29,858
Solid waste contractor	286,574	239,666
Iowa Department of Natural Resources tonnage fee	27,587	35,908
Regulatory assistance/engineering	7,647	24,946
Tire disposal	5,261	27,500
Recycling	57,305	47,048
Recycling collection center equipment	1,575	7,873
Equipment maintenance	6,891	2,911
Ground water monitoring/inspecting	19,640	10,255
Road gravel	8,580	7,034
Legal, accounting and auditing	7,818	10,524
Office equipment and supplies	2,949	9,577
Utilities	3,948	3,055
Land acquisition	33,614	-
Building and grounds	424	185,939
Insurance	5,464	41,134
Miscellaneous	5,828	4,366
Total disbursements	521,775	687,594
Excess (deficiency) of receipts over (under) disbursements	13,673	(97,511)
Other financing uses:		
Operating transfers out:		
Closure and Postclosure	(104,293)	-
Deficiency of receipts under disbursements and other financing uses	(90,620)	(97,511)
Balance beginning of year	587,540	685,051
Balance end of year	\$ 496,920	587,540

See notes to financial statements.

Prairie Solid Waste Agency  
Expansion Fund  
Statement of Cash Transactions  
Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Receipts:		
Interest on investments	\$ 9,198	7,246
Disbursements:		
None	-	-
Excess of receipts over disbursements	9,198	7,246
Balance beginning of year	<u>159,245</u>	<u>151,999</u>
Balance end of year	<u>\$ 168,443</u>	<u>159,245</u>

See notes to financial statements.

**Exhibit C**

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Prairie Solid Waste Agency  
Closure and Postclosure Fund  
Statement of Cash Transactions  
Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Receipts:		
Interest on investments	\$ -	9,782
Disbursements:		
None	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	-	9,782
Other financing sources:		
Operating transfers in:		
General	<u>104,293</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements	104,293	9,782
Balance beginning of year	<u>203,640</u>	<u>193,858</u>
Balance end of year	<u><u>\$ 307,933</u></u>	<u><u>203,640</u></u>

See notes to financial statements.

Prairie Solid Waste Agency  
Notes to Financial Statements

June 30, 2003

**(1) Summary of Significant Accounting Policies**

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Union County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member. The members of the Agency include Union County and the cities of Afton, Arispe, Creston, Cromwell, Kent, Lorimor, Macksburg, Shannon City, and Thayer. Each member of the Agency has one vote except for Union County and the City of Creston which each have six votes. Currently, the Agency contracts for landfill operations.

**A. Reporting Entity**

For financial reporting purposes, the Prairie Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Fund Accounting**

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

General Fund – This is the general operating fund of the Agency. All receipts that are not related to expansion or closure/postclosure are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and capital improvement costs that are not paid through other funds.

Expansion Fund – This fund is utilized to account for all resources set aside for the future expansion of the solid waste facility.

Closure and Postclosure Fund – This fund is utilized to account for monies held by the Agency to meet the closure and postclosure care requirements for municipal solid waste landfills established by the Environmental Protection Agency.

### C. Basis of Accounting

The Prairie Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with U. S. generally accepted accounting principles.

#### **(2) Cash and Pooled Investments**

The Agency's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The Agency had \$973,296 of deposits held by the Union County Treasurer at June 30, 2003.

#### **(3) Pension and Retirement Benefits**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$1,935, \$1,453 and \$1,032, respectively, equal to the required contributions for each year.

#### **(4) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to

tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Prairie Solid Waste Agency have been estimated at \$358,046 for closure and \$376,710 for postclosure, for a total of \$734,756 as of June 30, 2003. The estimated remaining life of the landfill is 10 years. The Agency has established a Closure and Postclosure Fund to accumulate resources to fund these costs. At June 30, 2003, the balance in this fund was \$307,933, of which \$147,808 has been designated for closure and \$160,125 for postclosure costs.

**(5) Solid Waste Tonnage Fees Retained**

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2003, the Agency had no unspent tonnage fees.

**(6) Risk Management**

The Prairie Solid Waste Agency is exposed to various risks of loss related to torts, theft, and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Landfill Operator Contract**

The Prairie Solid Waste Agency has entered into a contract with Union County Management Services, Inc. for the operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities. For these services, the operator was paid \$286,574 during the year ended June 30, 2003.

**(8) Compensated Absences**

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2003 was \$1,900. This liability has been computed based on rates of pay in effect at June 30, 2003.

**(9) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the Agency's financial statements in the year of implementation. The revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Agency's financial activities.

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

**Prairie Solid Waste Agency**



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### Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Members of the Prairie Solid Waste Agency:

We have audited the financial statements of the Prairie Solid Waste Agency as of and for the year ended June 30, 2003, and have issued our report thereon dated January 8, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Prairie Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Prairie Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.


A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Prairie Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Prairie Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 8, 2004

Prairie Solid Waste Agency

Schedule of Findings

Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over financial reporting were noted.

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories - A resolution naming official depositories has been approved by the Union County Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (4) Agency Minutes - No transactions were found that we believe that should have been approved in the Agency minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and Union County's investment policy were noted.
- (6) Solid Waste Fees Retainage - During the year ended June 30, 2003, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

Prairie Solid Waste Agency

Schedule of Findings

Year ended June 30, 2003

- (7) Financial Assurance - The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-111.6(8) of the Iowa Administrative Code (IAC). The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 734,756
Less: Balance of funds held in the local dedicated fund at June 30, 2002	<u>203,640</u>
	531,116
Divided by the number of years remaining in the pay-in-period	<u>5</u>
Required payment into the local dedicated fund for the year ended June 30, 2003	106,223
Balance of funds held in the local dedicated fund at June 30, 2002	<u>203,640</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2003	<u>\$ 309,863</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2003	<u>\$ 307,933</u>

The amount the Agency has restricted and reserved for closure and postclosure care at June 30, 2003 does not include \$10,631 of interest earned on investments held by the Union County Treasurer. The amount of interest income that has accrued will not be received until July 23, 2003 when the certificates of deposit mature and are redeemed.

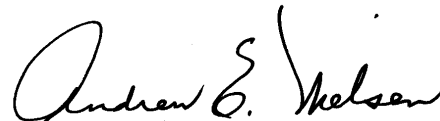
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Prairie Solid Waste Agency

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Erin M. Scharingson, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State